

Minneapolis Community Development Agency

Request for City Council Action

Date: August 26, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by: Beverly A. Wilson, Planner III, Phone 612-673-5030

Presented by: Jerry LePage, Project Coordinator, Phone 612-673-5240

Approved by: Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

SUBJECT: Proposed Grain Belt TIF Plan; and Related Plan Modifications

Previous Directives: Not Applicable.

Ward: 3

Neighborhood Group Notification: Sheridan Neighborhood Organization, Bottineau Neighborhood Association, St. Anthony West Neighborhood Organization, Northeast Business Association, Above the Falls Citizen Advisory Committee

Consistency with *Building a City That Works*: Not Applicable.

Comprehensive Plan Compliance: Not Applicable.

Zoning Code Compliance: Not Applicable.

Impact on MCDA Budget: (Check those that apply) Not Applicable.

- ☒ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: Not Applicable.

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Job Linkage: Not Applicable.

Affirmative Action Compliance: Not Applicable.

RECOMMENDATION: The Deputy Executive Director recommends that the City Council Community Development Committee schedule a public hearing to be held on September 16, 2003 for the proposed Grain Belt TIF Plan and related Plan Modifications (the “Plans”), and it is recommended that the Ways and Means/Budget Committee review the proposed Plans and submit its comments at the Community Development Committee public hearing scheduled for Tuesday, September 16, 2003.

The Grain Belt TIF Plan provides for the establishment of a new redevelopment TIF district, and authorizes public redevelopment activities and expenditures within the boundaries of the Grain Belt Brewery Project Area. Tax increment will be used to pay for a portion of the public redevelopment costs associated with the TIF District, and MCDA administration costs.

The parcels included in the new Grain Belt TIF District will remain within the existing Grain Belt Brewery Redevelopment Project Area. However, the new Grain Belt TIF District is not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments. The property to be included in the proposed TIF District includes 17 tax parcels, including streets, alleys and public rights-of-way. The boundary of the TIF District is shown in Exhibit #1 of the TIF Plan.

The Minneapolis Community Development Agency prepared the proposed Plans and transmitted them to interested parties for review and comment on August 15, 2003. Comments have been requested and are due at the Agency by September 15, 2003.

It is requested that the Community Development Committee schedule a public hearing on the proposed Plans, to be held by the Community Development Committee on Tuesday, September 16, 2003, at 1:30 p.m. Final Council and MCDA Board Action will be held on Friday, September 26, 2003.

It is requested that the Ways and Means/Budget Committee review the proposed Plans and submit its comments at the public hearing to be held by the Community Development Committee on Tuesday, September 16, 2003.

MINNEAPOLIS
COMMUNITY
DEVELOPMENT
AGENCY

Modification No. 96

to the

Common Development and
Redevelopment Plan

and

Common Tax Increment
Finance Plan

(Modification No. 2 to the Grain Belt
Brewery Redevelopment Plan)

August 15, 2003

**MODIFICATION NO. 96 TO THE
COMMON DEVELOPMENT AND REDEVELOPMENT PLAN
AND
COMMON TAX INCREMENT FINANCING PLAN
(Modification No. 2 to the Grain Belt Brewery Redevelopment Plan)**

August 15, 2003

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SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN

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Subsection A.1.	Mission Statement	No Change
Subsection A.2.	Definitions	No Change
Subsection A.3.	Description of Public Purpose	No Change
Subsection A.4.	Objectives of Common Project	No Change
Subsection A.5.	Structuring of Common Project	No Change
Subsection A.6.	History of Establishment and Modifications of Projects and TIF Districts Included in Common Project Area	Changed
Subsection A.7.	Estimated Public Improvement Costs	No Change
Subsection A.8.	Boundaries of the Common Project Area	No Change
Subsection A.9.	Development Program Requirements	No Change
Subsection A.10.	Modifications to Common Development And Redevelopment Plan	No Change
Subsection A.11.	Neighborhood Revitalization Program	No Change

SECTION B. COMMON TAX INCREMENT FINANCING PLAN

Subsection B.1.	Summaries of Participating Tax Increment Financing Districts	No Change
Subsection B.2.	Boundaries of Participating Tax Increment Financing Districts	No Change
Subsection B.3.	Statement of Objectives and	Changed

	Development Program, Including Property that may be Acquired	
Subsection B.4.	Properties to be Deleted From Participating Tax Increment Financing Districts	No Change
Subsection B.5.	Development Activity in Common Project for Which Contracts Have Been Signed and Other Specific Development Expected to Occur	Changed
Subsection B.6.	Description of Financing	No Change
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Subsection B.8.	Modifications to Common Tax Increment Financing Plan	No Change
Subsection B.9.	Neighborhood Revitalization Program	No Change
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**MODIFICATION NO. 96 TO THE
COMMON DEVELOPMENT AND REDEVELOPMENT PLAN
AND COMMON TAX INCREMENT FINANCING PLAN
(Modification No. 2 to the Grain Belt Brewery Redevelopment Plan)**

August 15, 2003

Introduction

Plan documents have been prepared that are related to a proposed multi-phased ownership housing project: the Grain Belt Tax Increment Finance (TIF) Plan (the “TIF Plan”), Modification No. 2 to the Grain Belt Brewery Redevelopment Plan, Modification No. 2 to the Grain Belt Brew House Tax Increment Finance Plan, and this Modification No. 96 to the Common Development and Redevelopment and Common Tax Increment Finance Plan (the “Common Project”) (collectively, the “Plans”).

Modification No. 2 to the Grain Belt Brewery Redevelopment Plan authorizes the creation of a new TIF district as a tool for carrying out the redevelopment activities described therein. Because the Grain Belt Brewery Redevelopment Project Area is within the boundary of the Common Project, this Modification has been prepared to the Common Project. Modification No. 2 to the Grain Belt Brew House TIF Plan has also been prepared to remove street right-of-way from the existing Grain Belt Brew House TIF District. This right-of-way will be included in the new Grain Belt TIF District.

The Grain Belt TIF Plan provides for the establishment of a new redevelopment TIF district: the “Grain Belt Tax Increment Financing District” (the “TIF District”). The TIF Plan authorizes public redevelopment activities and expenditures, establishes a new redevelopment TIF district and a budget for expenditures within the boundaries of the Grain Belt Brewery Project Area (the “Project Area”). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the TIF District, in addition to MCDA administration costs.

SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN

Subsection A.1. Mission Statement (No Change)

Subsection A.2. Definitions (No Change)

Subsection A.3. Description of Public Purpose (No Change)

Subsection A.4. Objectives of Common Project (No Change)

Subsection A.5. Structuring of Common Project (No Change)

Subsection A.6. History of Establishment and Modification of Projects and TIF Districts Included in Common Project Area **(Changed)**

Subsection A.6. is modified to include the following information, to be added at the end of the listings for the Grain Belt Brewery Redevelopment Plan and the Common Project:

<i>Project/District</i>	<i>Plan, Modification or Amendment</i>	<i>City Council Approval date</i>	<i>Resolution Number</i>
Grain Belt Brewery Redevelopment Plan	Mod. No. 2	September 26, 2003	2003R-___

Subsection A.7. Estimated Public Improvement Costs (No Change)

Subsection A.8. Boundaries of the Common Project Area (No Change)

Subsection A.9. Development Program Requirements (No Change)

Subsection A.10. Modifications to Common Development and Redevelopment Plan (No Change)

Subsection A.11. Neighborhood Revitalization Program (No Change)

SECTION B. COMMON TAX INCREMENT FINANCING PLAN (Changed)

Subsection B.1. Summaries of Participating Tax Increment Financing Districts (No Change)

Subsection B.2. Boundaries of Participating Tax Increment Financing Districts (No Change)

Subsection B.3. Statement of Objectives and Development Program, Including Property to be Acquired **(Changed)**

The following language is added at the end of Subsection B.3.:

The following parcels are designated as Property That May Be Acquired (see Section 1. b. of Modification No. 2 to the Grain Belt Brewery Redevelopment Plan):

Address

Property Identification Number

1326 Water Street NE

15-029-24-13-0005

15 – 13th Avenue NE

15-029-24-13-0006

9 – 13 th Avenue NE	15-029-24-13-0007
34 -13 th Avenue NE	15-029-24-14-0027
130 - 13 th Avenue NE	15-029-24-14-0030
132-34 13 th Avenue NE	15-029-24-14-0031

Subsection B.4. Properties to be Deleted from Participating Tax Increment Financing Districts (No Change)

Subsection B.5. Development Activity in Common Project for Which Contracts Have Been Signed and Other Specific Development Expected to Occur **(Updated)**

The MCDA is currently negotiating a development agreement with Sheridan Development Corporation.

Subsection B.6. Description of Financing (No Change)

Subsection B.7. Estimated Impact on Other Taxing Jurisdictions (No Change)

Subsection B.8. Modifications to Common Tax Increment Financing Plan (No Change)

Subsection B.9. Neighborhood Revitalization Program (No Change)

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

Grain Belt Tax Increment Finance Plan

August 15, 2003

Prepared by Project Planning and Finance Department
MCDA, 105 5th Avenue South, Minneapolis, Minnesota 55401

Grain Belt Tax Increment Finance Plan
August 15, 2003

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
 - A. Description of Development Program
 - B. Property That May Be Acquired
 - C. Development Activity For Which Contracts Have Been Signed
 - D. Other Development Activity
- IV. Description of Financing
 - A. Project Costs
 - B. Bonded Indebtedness To Be Incurred
 - C. Sources of Revenue
 - D. Original Net Tax Capacity
 - E. Estimated Captured Net Tax Capacity at Completion
 - F. Duration of TIF District
 - G. Fiscal Disparities Election
 - H. Original Tax Capacity Rate
 - I. Permit Activity and Prior Planned Improvements
 - J. Affordable Housing & Expenditures Outside TIF District
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Modifications to Tax Increment Financing Plans

Exhibits

- 1) Boundary/Acquisition Maps
- 2) Project Area Report and Documentation of Blight
- 3) Site Plan

**Grain Belt
Tax Increment Finance Plan**

August 15, 2003

Introduction

Plan documents have been prepared that are related to a proposed multi-phased ownership housing project: this Grain Belt Tax Increment Finance (TIF) Plan (the "TIF Plan"), Modification No. 2 to the Grain Belt Brewery Redevelopment Plan, Modification No. 2 to the Grain Belt Brew House Tax Increment Finance Plan, and Modification No. 96 to the Common Development and Redevelopment and Common Tax Increment Finance Plan (the "Common Project") (collectively, the "Plans").

Modification No. 2 to the Grain Belt Brewery Redevelopment Plan authorizes the creation of a new TIF district as a tool for carrying out the redevelopment activities described therein. Because the Grain Belt Brewery Redevelopment Project Area is within the boundary of the Common Project, a Modification has also been prepared to the Common Project. Modification No. 2 to the Grain Belt Brew House TIF Plan has also been prepared to remove street right-of-way from the existing Grain Belt Brew House TIF District. This right-of-way will be included in the new Grain Belt TIF District.

This TIF Plan provides for the establishment of a new redevelopment TIF district: the "Grain Belt Tax Increment Financing District" (the "TIF District"). This TIF Plan authorizes public redevelopment activities and expenditures, establishes a new redevelopment TIF district and a budget for expenditures within the boundaries of the Grain Belt Brewery Project Area (the "Project Area"). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the TIF District, in addition to MCDA administration costs.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

The TIF District is being established within and under the authority of the Grain Belt Brewery Redevelopment Project. The parcels included in the new Grain Belt Tax Increment Finance District remain within the existing Grain Belt Brewery Redevelopment Project Area. However, the new Grain Belt TIF District is not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments. The property to be included in the proposed TIF District includes 17 tax parcels, including streets, alleys and public rights-of-way. The boundary of the TIF District is shown in Exhibit #1 and contains the following parcels:

	<u>Address</u>	<u>PID number</u>
(1)	47 – 13 th Avenue NE	15-029-24-13-0003
(2)	1326 Water Street NE	15-029-24-13-0005
(3)	15 – 13 th Avenue NE	15-029-24-13-0006
(4)	9 – 13 th Avenue NE	15-029-24-13-0007
(5)	1315 Water Street NE	15-029-24-13-0008
(6)	1301 Water Street NE	15-029-24-13-0015

(7)	1300 Water Street NE	15-029-24-13-0016
(8)	1342 Water Street NE	15-029-24-13-0017
(9)	1300 Marshall Street NE	15-029-24-14-0011
(10)	1312 Marshall Street NE	15-029-24-14-0012
(11)	1314 Marshall Street NE	15-029-24-14-0013
(12)	71 13 th Avenue NE	15-029-24-14-0017
(13)	19 - 13 th Avenue NE	15-029-24-14-0025
(14)	34 -13 th Avenue NE	15-029-24-14-0027
(15)	130 - 13 th Avenue NE	15-029-24-14-0030*
(16)	132-34 13 th Avenue NE	15-029-24-14-0031*
(17)	1215-21 Marshall Street NE	15-029-24-14-0097*

*Phase I parcels

The Project Area Report, which provides a more detailed description of the existing property conditions, and documents the eligibility of this site for the establishment of a redevelopment TIF district, is appended as Exhibit #2 to this TIF Plan.

II. Statement of Objectives

The original "Development Objectives for the Grain Belt Brewery Area" were approved by the Minneapolis City Council on September 13, 1996. In April 2000, the Grain Belt Development Objectives Committee was reconvened to work on an amendment to these objectives to address the need for housing development in the Grain Belt area. The Sheridan Neighborhood Organization (SNO), as the neighborhood organization officially recognized by the MCDA, was asked to send a representative to participate on this committee. This committee also included City staff from the Planning Department, the Heritage Preservation Commission, and the Park Board. However, since the development of the brewery has an impact beyond Sheridan's boundaries, the Bottineau Neighborhood Association and the St. Anthony West Neighborhood Organization were added to this committee. This Committee was not a decision making body, but was only charged with the task of drafting the amendment to the development objectives pursuant to City Council established procedures.

The amendment to the Grain Belt Development Objectives represented a more comprehensive housing development strategy for the Grain Belt area by identifying five specific sites that have housing potential. The amendment was approved by the Minneapolis City Council and MCDA Board on August 11, 2000.

This TIF Plan authorizes public redevelopment activity intended to assist with the implementation of the Grain Belt housing project, including public improvements, demolition, administration, and other related activities.

III. Development Program

A. Description of Development Program

In February, 2001, the MCDA Board granted development rights for six months to the Sheridan Development Corporation (SDC) for the Grain Belt housing project. However, because this is a complicated project involving four development sites in the historic Grain Belt area, these development rights were extended in July of 2001 and June of 2002. The Board approved these extensions so that SCD could assess the financial impact of property tax reform on its proposal, and to respond to historic preservation concerns and area parking needs. In February 2003, the Board

granted SDC another extension to provide additional time to reach an agreement on the redevelopment contract business terms with the MCDA. Due to the impact of tax reform and historic preservation constraints in Phase I of the development, the density of the overall project changed significantly with an increase in the total number of housing units. In the past several months, SDC has made significant progress on the project by bringing in additional partners with extensive development expertise and capacity and by securing, with the MCDA's assistance, a Metropolitan Council grant of \$775,000 to finance remaining land acquisition and site clearance in Phase I.

In June of this year, the MCDA Board approved the finance plan and specific contract terms for Phase I (the Caswell/Grain Belt Office block) and the general terms for Phase II (the riverfront area). Assuming its performance on Phases I and II, SDC would retain development rights for Phase III (the Grain Belt Bottling House Addition site) and Phase IV (the Ryan interim parking site). These phases are farther in the future and are more speculative at this time.

In Phase I, SDC will construct approximately 145 units of ownership housing in up to three stages and may also construct 15,000 square feet of new commercial space. The development will include approximately 238 parking spaces that will support the new housing, the new commercial space, and also the parking needs for the existing Grain Belt Office Building located at 1215 Marshall Street NE.

The Grain Belt housing project was approved prior to the extension of the Minneapolis Affordable Housing Policy to ownership projects, and therefore this policy does not apply to this project. Nevertheless, SDC has agreed to have 10% of its total units in the project affordable between 60-80% of the metropolitan median income.

SDC's Phase II proposal includes the development of approximately 107 units of ownership housing in up to three stages. Phase II development plans will provide for the replacement of the current surface parking associated with the Agency-owned Bottling House and Warehouse.

B. Property That May Be Acquired

By including in this Modification a list of property that may be acquired, the Agency is signifying that it is interested in acquiring the property listed, or portions thereof, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the Agency to acquire a property. The Grain Belt TIF District contains the following parcels that are included in this Plan as property that may be acquired:

	<i>Address</i>	<i>Property Identification Number</i>
(1)	1326 Water Street NE	15-029-24-13-0005
(2)	15 – 13 th Avenue NE	15-029-24-13-0006
(3)	9 – 13 th Avenue NE	15-029-24-13-0007
(4)	1315 Water Street NE	15-029-24-13-0008
(5)	1301 Water Street NE	15-029-24-13-0015
(6)	1300 Water Street NE	15-029-24-13-0016
(7)	1342 Water Street NE	15-029-24-13-0017
(8)	34 -13 th Avenue NE	15-029-24-14-0027
(9)	130 - 13 th Avenue NE	15-029-24-14-0030
(10)	132-34 13 th Avenue NE	15-029-24-14-0031

Conditions Under Which Property May Be Acquired

State law authorizes the Agency to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The Agency will seek to acquire property from willing sellers whenever possible, but may use the power of eminent domain and its condemnation authority to acquire property identified as “property that may be acquired” when necessary.

C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur

The MCDA is currently negotiating a development agreement with Sheridan Development Corporation.

D. Other Development Activity ~ None

IV. Description of Financing

The purpose of this TIF plan is to authorize public redevelopment activities and expenditures to assist with the housing development in the TIF district. Anticipated public redevelopment activities include public improvements (Phase II), demolition (Phase II), administration, and other related activities. Sources of funds include tax increment financing, Metropolitan Council Livable Communities grants, and other potential sources yet to be identified.

The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the Agency and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

A. Project Costs

Grain Belt TIF District Budget

Sources	Up-Front	Over Time
Bond Proceeds	\$ 5,600,000	---
Tax Increment	---	\$ 13,840,000
Capitalized Interest	---	620,000
Total Sources.	\$ 5,600,000	\$14,460,000
Uses		
Public Improvements & Demolition	\$ 4,750,000	---
Capitalized Interest	620,000	---
Discount & Costs of Issuance	230,000	---
Bond Principal	---	\$ 5,600,000
Bond Interest	---	5,235,000
Affordable Housing Outside TIF District	---	2,241,000
MCDA Administration	---	1,384,000

Total Uses.	\$ 5,600,000	\$14,460,000
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B. Bonded Indebtedness to be Incurred

At the time this TIF Plan was drafted, it was anticipated that the likely financing mechanism that would be utilized for this development would be the issuance of tax increment revenue bonds. The proceeds of such bonds would be used to pay for public improvement and demolition costs primarily associated with Phase II of the development, capitalized interest, and costs related to the issuance of the bonds.

Tax increment will be used to semi-annually pay principal and interest on the bonds over the life of the TIF district. Projected annual tax increment is 20% greater than projected debt service on the bonds, thereby producing a debt coverage ratio of 120%. If excess tax increment is available in future years, the City's Finance Department will make a determination whether such funds shall be reserved in a debt service fund or can be expended outside the TIF district for affordable housing purposes (see IV.J.). The City and Authority reserve the right to issue up to \$5,600,000 in tax increment bonds for this TIF district.

C. Sources of Revenue

Tax increment generated within the TIF District will be the primary source of revenue used to pay the public redevelopment costs associated with the Grain Belt housing project. Other sources of funds may include Metropolitan Council Livable Communities grants, and other sources not yet identified.

D. Original Net Tax Capacity

The 2003 estimated market value of the tax parcels included in the TIF district is \$4,527,300. This will result in an original net tax capacity of approximately \$69,239 (upon property reclassification of the Phase I parcels).

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the Phase I redevelopment it is anticipated that the estimated market value of property in the TIF District will increase from \$4,527,300 to approximately \$41,975,300. This represents an increase of \$37,448,000 and will result in a total net tax capacity of approximately \$443,719, and an estimated captured net tax capacity of \$374,480.

Based upon an estimated total local tax rate of 153.007% (taxes payable 2003), this will generate an estimated annual gross tax increment payment of \$572,981 (excluding deduction for State Auditor Fee).

F. Duration of TIF District

The Grain Belt TIF District is a redevelopment TIF district. Tax increment can be paid to the MCDA for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

G. Fiscal Disparities Election

It is the intent of the MCDA and the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this TIF District be taken from outside the TIF District. The option provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2004. For projection and impact purposes, a total tax rate of 153.007% (taxes payable 2003) has been used.

I. Permit Activity and Prior Planned Improvements

The letter requesting certification by Hennepin County of the TIF District will be accompanied by a list of all of the building permits issued for the properties included in this TIF District during the eighteen months immediately preceding approval of this TIF Plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

J. Affordable Housing & Expenditures Outside TIF District

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or
 - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the Agency elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

V. Type of Tax Increment Financing District

The proposed TIF District is a "Redevelopment District" as defined in Minnesota Statutes Section 469.174 Subdivision 10 (a) (1):

"Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

- (1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance"

Additional information about the physical conditions in the proposed TIF District and the determination by the Agency that the real property proposed for inclusion within the TIF District satisfies the statutory findings for eligibility of this area for inclusion as a "Redevelopment TIF District" can be found in the Project Area Report and Documentation of Blight, which is appended as Exhibit #2 to this TIF Plan.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development described herein, that the Project would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

Taxing Jurisdictions	Preliminary Tax Capacity Rate Payable 2003	Property Tax Revenues Resulting from \$374,480 Captured Tax Capacity
City of Minneapolis	63.883%	\$239,229
Hennepin County	44.832	167,887
Special School District #1	33.555	125,657
	<u>10.737</u>	<u>40,208</u>
Other Taxing Jurisdictions	153.007%	\$572,981

Total		
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Grain Belt TIF District

Valuation and Tax Increment Assumptions

	Pay 2005	Pay 2006	Pay 2007
Total Estimated Market Value (EMV)	\$4,759,310	\$13,200,050	\$41,975,300
Less: Original EMV	4,527,300	4,527,300	4,527,300
Captured EMV	\$232,010	\$8,672,750	\$37,448,000
Total Net Tax Capacity (NTC)	\$71,559	\$155,967	\$443,719
Less: Original NTC	69,239	69,239	69,239
Captured NTC	\$2,320	\$86,728	\$374,480
Times: Projected Total Tax Rate	153.007%	153.007%	153.007%
Gross Tax Increment	\$3,550	\$132,700	\$572,981
Less: State Auditor's Fee (.36%)	13	478	2,063
Tax Increment Distributed to MCDA	\$3,537	\$132,222	\$570,918

26 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To MCDA
---	2003	\$0
---	2004	0
1	2005	3,537
2	2006	132,222
3	2007	570,918
4	2008	570,918
5	2009	570,918
6	2010	570,918
7	2011	570,918
8	2012	570,918
9	2013	570,918
10	2014	570,918

Market Value Test

Analysis Required by M.S. Section 469.175, Subd. 3 (2)

- (1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":
- | | |
|---|------------------|
| (a) Projected estimated market value without the use of tax increment | \$4,527,300 |
| (b) Original estimated market value | <u>4,527,300</u> |
| (c) Increased estimated market value without the use of tax increment = (a) - (b) | \$0 |

11	2015	570,918
12	2016	570,918
13	2017	570,918
14	2018	570,918
15	2019	570,918
16	2020	570,918
17	2021	570,918
18	2022	570,918
19	2023	570,918
20	2024	570,918
21	2025	570,918
22	2026	570,918
23	2027	570,918
24	2028	570,918
25	2029	570,918
26	2030	570,918
		<hr/>
		\$13,837,79
		1
P.V. @ 5.00%		\$6,922,647

(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":		
(d) Increase in the estimated market value of the completed development.		\$37,448,000
(e) Present value of the projected tax increment for the maximum duration of the district		6,922,647
		<hr/>
(f) Difference = (d) - (e)		\$30,525,353
(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.		

Exhibit 1, Grain Belt Tax Increment Finance Plan
Boundary/Acquisition Map
(Contact MCDA to view map)

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors:

Until a feasible reuse was found for the historic Brewhouse, it had been difficult to proceed with the development of housing in the Grain Belt area. The Grain Belt Development Objectives were amended to represent a more comprehensive housing development strategy for the Grain Belt area by identifying five specific sites that have housing potential. On August 11, 2000, the MCDA Board and City Council approved an authorization to issue a request for proposals (RFP) for housing development on four of these five sites based on the amended Development Objectives. On February 2, 2001, the MCDA Board selected the Sheridan Development Company (SDC) as the developer of the Grain Belt housing project over three other development proposals. From the beginning, the assumption has been that the Grain Belt housing project would be a complicated project and would take time to develop because it involves multiple sites and development phases and is located in an historic district near the riverfront area. Historic preservation concerns (i.e. discovery of the Orth Brewery foundations) and area parking needs (i.e. replacement parking requirements for the Agency-owned Bottling House and Warehouse) were significant issues that needed to be resolved. In the meantime, the impact of tax reform needed to be reevaluated for the project. Significant progress has been made in the past several months as SDC has added extensive development expertise and capacity to its development team and has assisted the MCDA in securing a Metropolitan Council Livable Communities grant to finance land acquisition and site clearance in Phase I.

The site includes underutilized blighted, structurally substandard properties, some of which are tax exempt.

Therefore, it is the opinion of the City of Minneapolis that the proposed redevelopment project to be financed, in part, by this TIF District would not occur solely through private investment within the foreseeable future.

The TIF Act requires that a potential TIF district must also pass a market value test in order to make a finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by this TIF Plan.

Because it is the opinion of the City of Minneapolis that the proposed Project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained on the following page of this TIF Plan. As shown there, the public redevelopment activity, expenditures, and market values associated

with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

VIII. Modifications to Tax Increment Finance Plans

This TIF Plan may be modified, provided that the Agency and City Council shall adopt such modifications under the applicable provisions of the TIF Act, Minnesota Statutes, Section 469.175, Subdivision 4.

This TIF Plan reflects the establishment of the Grain Belt Tax Increment Financing District.

**PROJECT AREA REPORT
AND SUPPORTING DOCUMENTATION**

**Grain Belt Tax Increment Finance Plan
August 1, 2003**

A multi-phased mixed use project has been proposed by Sheridan Development Corporation (SDC) that includes ownership housing and new commercial space. In Phase I, SDC will construct approximately 145 units of ownership housing in up to three stages and may also construct 15,000 square feet of new commercial space. The development will include parking spaces that will support the new housing, the new commercial space, and also the parking needs for the existing Grain Belt Office located at 1215 Marshall Street NE. SDC's Phase II proposal includes the development of approximately 107 units of ownership housing in up to three stages. Phase II development plans will provide for replacement of current surface parking associated with the Agency-owner Bottling House and Warehouse in Northeast Minneapolis.

The purpose of this Project Area Report and Documentation of Blight is to describe the conditions that qualify the site for inclusion in a TIF district. The TIF District is located within the Grain Belt Brewery Redevelopment Project, established in 1986, under provisions of Minnesota Statutes Sections 469.001 through 469.047.

All buildings are found to be substandard under statutory criteria, Minnesota Statutes Section 469.174, Subdivision 10 (a).

"Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

- (1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

This report is a *summary* of the documentation and condition surveys of the existing parcels. There are seventeen subject parcels categorized as follows: unimproved and vacant parcels, paved parking lots, vacant land with an electrical transmission tower, paved street right-of-way, commercial/industrial buildings, and residential wood framed rental dwellings.

The reconnaissance and site analysis included an interior inspection of the residential properties and the conditions therein do not meet the livability standards required for safe, sanitary, human occupancy. Structures are in poor condition and do not meet Uniform Building, Energy and Minneapolis Housing Maintenance Codes and Ordinances. The interior inspection revealed the presence of the following deficiencies of the Uniform Building for new buildings:

Roof and ceiling damage caused by ice damming and worn roofing materials, damaged siding and trim, peeling paint, broken storm doors and windows, egress stairs deteriorated with rotted members, and improper railings, missing or disconnected gutters and downspouts, outlaw brush around foundation, peeling paint and rotted wooden window frames and window sashes, broken window panes and sash cords, illegal and outdated plumbing, defective and outdated heating equipment, illegal and outdated electrical equipment and devices, lack of required smoke detectors, lack of adequate means of egress, lack of adequate insulation, lead based paint, poorly maintained exterior components and obsolete materials, and lack of reasonable maintenance.

The reconnaissance and site analysis also included an interior inspection of the commercial property and the conditions therein do not meet the standards required for safe, sanitary, human occupancy. These structures are in average/poor condition, do not meet current Minneapolis Maintenance Codes and Ordinances, Uniform Building, Energy, Accessibility and Fire codes for new construction. Buildings do not have adequate ventilation, air exchanges, and heating systems, foundation lacks damp proofing and sump pump as required, buildings lack fire rated separation and smoke dampers between basement and all floors, lacks code required smoke detectors, lack handicapped accessible bathroom facilities, parking and entry door and approach, lack adequate illumination and ventilation, do not meet ADA accessibility requirements, lack adequate insulation, possible lead based paint, illegal electrical exposed wires and inoperable fixtures, deteriorated concrete, deteriorated asphalt parking surfaces, damaged windows, in need of tuckpointing, the entire exterior thermal envelop must be sealed with ridge wind barriers, asbestos materials are present, presence of deteriorated roofing, rain gutters, and exterior surfaces.

Conclusion: All buildings, commercial and residential, are found to be structurally substandard under statutory criteria. The properties are blighted and substandard to a degree requiring substantial renovation and or clearance and exhibit deficiencies in other categories such as lacking essential utilities, (heat, light, ventilation etc.) facilities, fire protection, and unknown factors such as asbestos and lead containing materials, basic energy conservation code requirements etc. and cannot be altered to an appropriate reuse.

The blighting influences of the subject properties are characterized above and the property is found blight unfit for human habitation, and structurally substandard in accordance with the Minnesota Statutes cited above.

More than 50% of the freestanding buildings (100%) were found structurally substandard due to a combination of building code defects. Findings to this affect will be included in the resolutions considered the Minneapolis City Council at the time these plan documents are offered for approval.

Interior inspections of the property to be included in the proposed new redevelopment tax increment financing district were conducted by Jan Posus-Ryan, Construction Management Specialist III, in 2003. Documentation supporting these findings is on file in the office of the Minneapolis Community Development Agency, 105 5th Avenue South, Project Planning & Finance Department, Minneapolis, Minnesota.

**Modification No. 2 to the Grain Belt Brew House
Tax Increment Finance Plan**

August 15, 2003

Introduction

On June 9, 2000 the Minneapolis City Council approved the establishment of the Grain Belt Brew House Tax Increment Finance (TIF) District. In 2001, Modification No. 1 to the TIF Plan updated the tax increment financing budget to reflect the terms approved by the City Council and contained in the redevelopment contract.

Plan documents have been prepared that are related to a proposed multi-phased ownership housing project: the Grain Belt Tax Increment Finance (TIF) Plan (the "TIF Plan"), Modification No. 2 to the Grain Belt Brewery Redevelopment Plan, this Modification No. 2 to the Grain Belt Brew House Tax Increment Finance Plan, and Modification No. 96 to the Common Development and Redevelopment and Common Tax Increment Finance Plan (the "Common Project") (collectively, the "Plans").

Modification No. 2 to the Grain Belt Brewery Redevelopment Plan authorizes the creation of a new TIF district as a tool for carrying out the redevelopment activities described therein. Because the Grain Belt Brewery Redevelopment Project Area is within the boundary of the Common Project, a Modification has also been prepared to the Common Project.

This Modification No. 2 to the Grain Belt Brew House TIF Plan has been prepared to remove street right-of-way from the existing Grain Belt Brew House TIF District. This right-of-way will be included in the new Grain Belt TIF District.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary – Changed

Parcel Identification No. 15-029-24-13-0015 located at 1301 Water Street N.E. is deleted from the Grain Belt Brew House TIF District.

II. Statement of Objectives – No Change

III. Development Program – No Change

IV. Description of Financing – No Change

V. Type of Tax Increment Financing District – No Change

- VI. Estimated Impact on Other Taxing Jurisdictions – No Change**
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance – No Change**
- VIII. Modifications to Tax Increment Finance Plans – No Change**

Exhibit 1, Grain Belt Brew House TIF District Boundary Map.
(Contact MCDA to view map)

**MINNEAPOLIS
COMMUNITY
DEVELOPMENT
AGENCY**

Modification No. 2

to the

Grain Belt Brewery
Redevelopment Plan

(Grain Belt TIF Plan)

August 15, 2003

**Modification No. 2
to the
GRAIN BELT BREWERY REDEVELOPMENT PLAN
August 15, 2003**

I. Redevelopment Plan - **Changed**

A. Table of Contents

B. Description of Project - **Changed**

1. Boundary of Redevelopment Project – No Change
2. Project Boundary Map – No Change
3. Objectives of the Redevelopment Plan – No Change
4. Types of Redevelopment Activities - **Changed**

C. Land Use Plan – No Change

1. Land Use Map – No Change
2. Land Use Provisions and Requirements – No Change

D. Project Proposals – **Changed**

1. Property That May Be Acquired – **Changed**
2. Rehabilitation – No Change
3. Redeveloper's Obligations – No Change

E. Relocation – No Change

F. Official Action to Carry Out the Redevelopment Plan – No Change

G. Procedures for Changes in Approved Redevelopment Plan – No Change

II. Relocation Plan – No Change

III. Statement of Method Proposed for Financing - **Changed**

**Modification No. 2
to the
GRAIN BELT BREWERY REDEVELOPMENT PLAN
August 15, 2003**

Plan documents have been prepared that are related to a proposed multi-phased ownership housing project: the Grain Belt Tax Increment Finance (TIF) Plan (the "TIF Plan"), this Modification No. 2 to the Grain Belt Brewery Redevelopment Plan, Modification No. 2 to the Grain Belt Brew House Tax Increment Finance Plan, and Modification No. 96 to the Common Development and Redevelopment and Common Tax Increment Finance Plan (the "Common Project") (collectively, the "Plans").

This Modification No. 2 to the Grain Belt Brewery Redevelopment Plan authorizes the creation of a new TIF district as a tool for carrying out the redevelopment activities described therein. Because the Grain Belt Brewery Redevelopment Project Area is within the boundary of the Common Project, a Modification has also been prepared to the Common Project. Modification No. 2 to the Grain Belt Brew House TIF Plan has also been prepared to remove street right-of-way from the existing Grain Belt Brew House TIF District. This right-of-way will be included in the new Grain Belt TIF District.

The Grain Belt TIF Plan provides for the establishment of a new redevelopment TIF district: the "Grain Belt Tax Increment Financing District" (the "TIF District"). The TIF Plan authorizes public redevelopment activities and expenditures, establishes a new redevelopment TIF district and a budget for expenditures within the boundaries of the Grain Belt Brewery Project Area (the "Project Area"). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the TIF District, in addition to MCDA administration costs.

Background

In December 1986, the City Council approved the Grain Belt Brewery Area Redevelopment Plan and the original Development Guidelines and Criteria. In 1996, a Grain Belt Development Objectives Committee was formed pursuant to City Council-established procedures to rewrite the 1986 development objectives. This committee included staff from the MCDA, the Planning Department, the Public Works Department, the Finance Department, the Park Board, and a representative from the Sheridan neighborhood. The 1996 objectives called for "a varied yet cohesive mix of uses complementing and enhancing the historic character of the brewery complex" and provided for the possibility of residential development.

Until a feasible reuse was found for the historic Brew House, it was problematic to proceed with the development of housing in the Grain Belt area. Since the 1996 Development Objectives emphasized commercial development, there were

only general references to housing and not enough specifics to serve as a guide for a Request for Proposals (RFP). Consequently, the Grain Belt Development Committee was reconvened and drafted a proposed amendment with more specifics about housing in light of the Ryan's proposed reuse of the Brew House, improvements to other buildings in the complex, and the potential for various types of housing under present market conditions.

The amendment to the Grain Belt Development Objectives takes a broader and more comprehensive approach to housing development in the Grain Belt area by identifying five specific sites that have potential for housing.

In February, 2001, the MCDA Board granted development rights for six months to the Sheridan Development Corporation (SDC) for the Grain Belt housing project. However, because this is a complicated project involving four development sites in the historic Grain Belt area, these development rights were extended in July of 2001 and June of 2002. The Board approved these extensions so that SDC could assess the financial impact of property tax reform on its proposal, and to respond to historic preservation concerns and area parking needs. In February 2003, the Board granted SDC another extension to provide additional time to reach an agreement on the redevelopment contract business terms with the MCDA. Due to the impact of tax reform and historic preservation constraints in Phase I of the development, the density of the overall project changed significantly with an increase in the total number of housing units. In the past several months, SDC has made significant progress on the project by bringing in additional partners with extensive development expertise and capacity and, with the MCDA's assistance, securing a Metropolitan Council grant of \$775,000 to finance remaining land acquisition and site clearance in Phase I.

In June of this year, the MCDA Board approved the finance plan and specific contract terms for Phase I (the Caswell/Grain Belt Office block) and the general terms for Phase II (the riverfront area). Assuming its performance on Phases I and II, SDC would retain development rights for Phase III (the Grain Belt Bottling House Addition site) and Phase IV (the Ryan interim parking site). These phases are farther in the future and are more speculative at this time.

In Phase I, SDC will construct approximately 145 units of ownership housing in up to three stages and may also construct 15,000 square feet of new commercial space. The development will include approximately 238 parking spaces that will support the new housing, the new commercial space, and also the parking needs for the existing Grain Belt Office Building located at 1215 Marshall Street NE.

The Grain Belt housing project was approved prior to the extension of the Minneapolis Affordable Housing Policy to ownership projects, and therefore this policy does not apply to this project. Nevertheless, SDC has agreed to have

10% of its total units in the project affordable between 60-80% of the metropolitan median income.

SDC's Phase II proposal includes the development of approximately 107 units of ownership housing in up to three stages. Phase II development plans will provide for the replacement of the current surface parking associated with the Agency-owned Bottling House and Warehouse.

Tax increment generated within the Grain Belt TIF District will be the primary source of revenue used to pay the public redevelopment costs associated with the Grain Belt housing project. Other sources of funds may include Metropolitan Council Livable Communities grants, and other sources not yet identified.

1. Land Acquisition

a. Acquisition Map

See Exhibit 1 to the Grain Belt TIF Plan, Boundary/Acquisition Map.

b. List of Property That May Be Acquired

The Grain Belt TIF Plan lists the following parcels to be designated as property that may be acquired:

<i>Address</i>	<i>Property Identification Number</i>
1326 Water Street NE	15-029-24-13-0005
15 – 13 th Avenue NE	15-029-24-13-0006
9 – 13 th Avenue NE	15-029-24-13-0007
1315 Water Street NE	15-029-24-13-0008
1301 Water Street NE	15-029-24-13-0015
1300 Water Street NE	15-029-24-13-0016
1342 Water Street NE	15-029-24-13-0017
34 -13 th Avenue NE	15-029-24-14-0027
130 - 13 th Avenue NE	15-029-24-14-0030
132-34 13 th Avenue NE	15-029-24-14-0031

III. Statement of Method Proposed for Financing – Changed

At the time the Grain Belt TIF Plan was drafted, it was anticipated that the likely financing mechanism that would be utilized for this development would be the issuance of tax increment revenue bonds. The proceeds of such bonds would be used to pay for public improvement and demolition costs primarily associated with Phase II of the development, capitalized interest, and costs related to the issuance of the bonds.

Tax increment will be used to semi-annually pay principal and interest on the bonds over the life of the TIF district. Projected annual tax increment is 20% greater than projected debt service on the bonds, thereby producing a debt coverage ratio of 120%. If excess tax increment is available in future years, the City's Finance Department will make a determination whether such funds shall be reserved in a debt service fund or can be expended outside the TIF district for affordable housing purposes (see IV.J.). The City and Authority reserve the right to issue up to \$5,600,000 in tax increment bonds for this TIF district.

Grain Belt TIF District Budget

SsSources	Up-Front	Over Time
Bond Proceeds	\$ 5,600,000	---
Tax Increment	---	\$ 13,840,000
Capitalized Interest	---	620,000
Total Sources.	\$ 5,600,000	\$14,460,000
Uses		
Public Improvements & Demolition	\$ 4,750,000	---
Capitalized Interest	620,000	---
Discount & Costs of Issuance	230,000	---
Bond Principal	---	\$ 5,600,000
Bond Interest	---	5,235,000
Affordable Housing Outside TIF District	---	2,241,000
MCDA Administration	---	1,384,000
Total Uses.	\$ 5,600,000	\$14,460,000